



CENTER FOR CAPITAL MARKETS COMPETITIVENESS

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August 17, 2016

Mr. Robert deV. Frierson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Enhanced Prudential Standards for Systemically Important Insurance Companies, RIN 7100 AE 54, Docket No. R-1540

Dear Mr. Frierson:

The U.S. Chamber of Commerce (“Chamber”) is the world’s largest business federation, representing the interests of more than three million companies of every size, sector, and region. Our members include both domestic and international insurance companies as well as companies that are consumers of insurance products and rely on insurers to play a large role in supplying long-term capital to a globally interconnected economy. Accordingly, the Chamber supports an effective regulatory structure to oversee the capital markets that promotes both financial stability and reasonable risk-taking. We appreciate the opportunity to comment on the Board of Governors of the Federal Reserve System’s (the “Federal Reserve”) Notice of Proposed Rulemaking (the “Proposal”) regarding Enhanced Prudential Standards for Systemically Important Insurance Companies (“SIICs”) published in the *Federal Register* on June 14, 2016.

The Chamber has long supported efforts to identify and mitigate threats to the stability of the U.S. financial system. However, in order to achieve financial stability, prudent regulation must be accompanied by growth. Unfortunately, the approach policy makers and regulators have taken since the 2008 financial crisis is to wring out risk by sacrificing growth and job creation. Over the past seven years, we have seen an unprecedented low economic growth rate that has averaged just over 2% per year. As a result, we still have a negative GDP gap and have not re-attained our long term potential. The myriad of onerous financial regulations placed on banks and non-bank

financial institutions that are intended to make the financial system safer has had far-reaching implications, impacting the ability of Main Street companies to affordably and efficiently raise capital, issue debt, manage liquidity and hedge risk. There has been too much focus on short-term stability that results in heavy-handed regulation that stifles the economy when what we need is smart, balanced regulation that achieves long-term stability through sustainable, robust growth.

While the Chamber appreciates the difficult task at hand for the Federal Reserve in applying enhanced prudential standards to SIICs to mitigate systemic risk, we believe that the Proposal suffers from the following defects:

- The Proposal is not sufficiently tailored to meet the business model of insurers, whose assets and liabilities are generally long-term in nature;
- The Proposal attempts to supplant the fiduciary responsibilities of an insurer's board with the judgment and micromanagement of the Federal Reserve;
- The Proposal fails to include an economic analysis that measures its impact on capital formation and bond markets, particularly with respect to the diversion of corporate resources to fulfilling the requirements of the Proposal; and
- The implementation timeframe should be extended to reflect the reality of the substantial new requirements contained in the Proposal, which include significant changes to risk management and corporate governance.

Our concerns are discussed in greater detail below.

Discussion

Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") creates the mechanism for the Financial Stability Oversight Council (the "FSOC" or the "Council") to identify and designate non-bank financial companies as systemically important financial institutions ("SIFIs") for enhanced prudential regulation by the Federal Reserve. The purpose of enhanced prudential regulation of SIFIs and, accordingly, SIICs, as authorized under Section 165 of the Dodd Frank Act, is to avert or minimize the risks to the financial stability of the

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United States in the event of a failure of a SIFI. While the Federal Reserve finalized the enhanced prudential standards for banks in early 2014, the application to nonbank SIFIs was deferred to a later time. Moreover, Federal Reserve officials committed to tailoring the application of these enhanced prudential standards for nonbank financial companies on an “individual basis or by category, as appropriate.”¹ The differences between banks and nonbank financial companies, and in particular insurance companies, lies in not only their business model, but their capital structure and risk profile. Therefore, the Chamber strongly believes that significant effort must be taken by the Federal Reserve to tailor rules for insurers so that they do not lead to homogenization of the financial system and ultimately concentration of risk that weakens the stability of the financial system.

I. The Proposal is Not Sufficiently Tailored to Meet the Business Model of Insurance

The Chamber appreciates the steps the Federal Reserve has taken to modify existing elements of Regulation YY as they would apply to SIICs. However, we believe that several additional modifications to the Proposal are necessary in order to reflect the Congressional directive under the Dodd-Frank Act that any such standards reflect differences among bank holding companies covered by section 165 of the Dodd-Frank Act and nonbank financial companies supervised by the Federal Reserve.² Failing to comply with this mandate would subject SIICs to inappropriate bank-like regulation, contradicting Congressional intent and the Federal Reserve’s own commitment that enhanced prudential standards be tailored for nonbank financial companies designated as SIFIs.

In short, we believe that the Proposal is too prescriptive and fails to recognize many of the unique features of the insurance business model, especially the stability and long-term nature of an insurer’s assets and liabilities. More importantly, to the extent that these requirements are not useful, the standards may unnecessarily draw important resources away both from a SIIC and from the Federal Reserve. We strongly recommend that the Federal Reserve reassess the Proposal and incorporate

¹ See United States Cong. House Financial Services Subcomm. on Financial Institutions and Consumer Credit. *Systemically important financial institutions and the Dodd-Frank Act*. May 16, 2012. (statement of Michael S. Gibson, Director, Division of Banking Supervision and Regulation).

<https://www.federalreserve.gov/newsevents/testimony/gibson20120516a.htm>

² See 12 U.S.C. 5365(b)(3).

greater risk-sensitivity into these standards to reflect these issues, with a particular emphasis on materiality thresholds for requirements such as cash flow projections, liquidity stress testing, and required documentation. Our concerns are listed in greater detail below.

Liquidity Risk Management Requirements

Cash Flow Projections and Liquidity Stress Tests

The Chamber recommends that several improvements to the Proposal be made while still permitting a SIIC to manage liquidity, which the Federal Reserve cites as the ability to “meet efficiently its expected and unexpected cash flows and collateral without adversely affecting the daily operations or the financial condition of the [SIIC].”³ Fundamentally, we believe that concerns about liquidity should be focused on activities that are liquidity-intensive, such as asset-backed financing, securities lending and derivatives collateral. A distinction between these activities and other activities central to the business of insurance should be made in all aspects of the Proposal dealing with managing liquidity risk. Consequently, a more in-depth understanding of how a SIIC can meet its cash and collateral obligations is required.

For example, with respect to cash-flow projections⁴, the Proposal’s requirement for daily projections is unnecessary and does little to help understand whether a SIIC can meet its cash and collateral obligations. These cash flow projections would include anticipated claim and annuity payments, policyholder options (such as surrenders, withdrawals, and policy loans), and premiums on new and renewal business.⁵

While we appreciate the Federal Reserve’s desire to track potential cash-flow mismatches, the potential for this to occur within the insurance business is very low given the stable nature of insurance. An insurer’s liabilities typically and historically do not change dramatically within a daily, monthly, or even quarterly basis. As a result, insurers are generally able to project their potential liabilities well into the future in order to manage against potential liquidity risk.

³ 81 Fed. Reg. 38610, 38614.

⁴ Proposed § 252.164(e), 81 Fed. Reg. 38610, 38627.

⁵ Proposed § 252.164(e)(2)(i), 81 Fed. Reg. 38610, 38627.

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Consequently, the requirement for daily cash-flow projections is inappropriate and results in a potential misuse of risk management resources at a SIIC. We believe that a more risk-sensitive approach that would require projections on a longer-term basis—such as on a quarterly basis—would be better suited to the business of insurance in this circumstance.

We have similar concerns with respect to frequency of the liquidity stress tests under the Proposal. While we appreciate the 7-day time horizon scenario when conducting a stress test for a SIIC (as opposed to an overnight stress test for other bank holding companies), we do not believe that it must occur monthly in order to provide the information necessary to the Federal Reserve to perform its supervisory function.⁶ Less frequent stress testing—such as on a quarterly basis—would permit the Federal Reserve to review potential changes in an insurer’s liquidity profile without putting undue burden on a SIIC, especially when most liabilities will not change dramatically on a month-to-month basis.

The Chamber also believes that the stress tests should permit a greater range of assets to be used as cash-flow sources, particularly given the requirement that such assets be “diversified by collateral, counterparty, borrowing capacity, and other factors associated with the liquidity risk of the assets.”⁷ In particular, proceeds from borrowings from financial institutions, including funding sources as the Federal Home Loan Bank system, should be included as a source of funding in a stress test, especially given that such sources of funding are permitted in stress tests for other institutions supervised by the Federal Reserve. This would permit a SIIC to diversify its sources of funding during a stressed scenario while still providing the Federal Reserve the authority to assess and supervise sources of funding for a SIIC in that scenario.

Finally, we believe that the Federal Reserve should permit insurance payment stays in the context of liquidity stress testing and the development of contingency funding plans. Insurance payment stays are an important element of many traditional insurance products, such as stable value funds, and are risk mitigants akin to

⁶ Proposed § 252.165(a)(2), 81 Fed. Reg. 38610, 38629.

⁷ Proposed § 252.165(a)(5)(ii), 81 Fed. Reg. 38610, 38629.

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contractual stays used by other financial institutions supervised by the Federal Reserve. We believe that such stays and similar payout delays should be fully permissible in the liquidity stress testing context, as this would more appropriately reflect what the actual consequences of a liquidity event would be on a SIIC. In addition, rather than disallowing payout stays and delays completely in the contingency funding plan context, we believe that the Federal Reserve should take a more granular approach and determine whether such stays are appropriate on a product-by-product basis.

Liquidity Buffer

A central concern with the liquidity risk management standards in the Proposal is the liquidity buffer – in particular, the assets that may be included in the liquidity buffer. The Chamber has commented extensively on how such requirements can negatively impact the capital markets and capital formation for businesses by either siphoning off needed liquidity or disincentivizing investment in particular asset classes. These concerns have significant ramifications in the insurance context, particularly given the important role that insurers play as substantial investors in the corporate bond markets. Consequently, we firmly believe that the liquidity buffer should be tailored for the business of insurance given their long-term investment horizons.

In general, the Proposal requires a SIIC to maintain a liquidity buffer sufficient to meet projected net stressed cash-flow needs over a 90-day planning horizon.⁸ The liquidity buffer must consist of assets that are (1) “highly liquid;” (2) unencumbered; and (3) discounted to reflect their fair market value, credit risk, and market price volatility.⁹ Several modifications should be made to expand the type of assets that qualify for purposes of calculating a liquidity buffer.

Chief amongst our concerns is the exclusion of certain types of corporate bonds from the liquidity buffer. The Proposal defines “highly liquid” according to several different tests, which include securities issued by the U.S. Department of the Treasury, but places a “liquid and readily-marketable” test that disqualifies many types

⁸ Proposed § 252.165(b), 81 Fed. Reg. 38610, 38629.

⁹ Proposed § 252.165(b)(3), 81 Fed. Reg. 38610, 38629-38630.

of corporate bonds. In particular, the “liquid and readily-marketable” test requires that a security is traded in an active secondary market with (1) more than two committed market makers; (2) a large number of non-market maker participants on both the buying and selling sides; (3) timely and observable market prices; and (4) a high trading volume.¹⁰

These definitions are highly restrictive and will almost certainly dissuade SIICs from investing in corporate bonds that do not fit this definition. For example, as we have noted in previous comment letters with respect to bank regulation, market making has become more expensive as a result of reforms such as the Volcker Rule, with many financial institutions opting to sell off their trading desks. Given this drop off in active trading, it will become increasingly difficult for corporate bonds to have “timely and observable market prices” or a “high trading volume.”

Consequently, we are very concerned that too few corporate bonds will qualify under the “liquid and readily-marketable” test. This is concerning given that a SIIC will need to hold a substantial amount of assets in its liquidity buffer to pass a 90-day stress test and will be less incentivized to hold debt that does not qualify as highly liquid. We strongly urge the Federal Reserve to broaden the classes of corporate bonds that would qualify under the liquidity buffer, either by including all investment grade corporate bonds as eligible for inclusion or by adopting a “haircut” approach for inclusion of bonds, assigning them a liquidity factor according to the characteristics of the issuer and other factors, such as tenor.¹¹

We also have several concerns relating to other types of asset classes that should be eligible for inclusion in the liquidity buffer:

- Cash deposits. We note that cash deposits are not specifically included as a highly liquid asset for purposes of the liquidity buffer. Given that cash is even more liquid than any other asset class that could be included in the liquidity buffer, cash, time deposits, and certificates of deposit should be included as well. A SIIC should be permitted the ability to

¹⁰ Proposed § 252.165(b)(3)(iii), 81 Fed. Reg. 38610, 38630.

¹¹ We note that including investment grade bonds or a “haircut” approach would also be consistent with the proposed rule issued by the Federal Reserve on the net stable funding ratio, which assigns available stable funding factors to corporate debt based on these characteristics.

draw upon all funding sources for its liquidity buffer, including cash which is the very first line of defense against liability outflows. Failing to include cash in the liquidity buffer could incentivize a SIIC to withdraw cash holdings and reinvest them in less liquid financial instruments.

- Asset-Backed Securities. Similar to our objections with respect to the treatment of corporate debt, we are concerned that excluding asset-backed securities, including commercial mortgage-backed securities, from the liquidity buffer will hurt our capital markets and the ability of businesses to raise capital. We strongly recommend that these securities be included in a liquidity buffer based on an analysis of the security's credit and liquidity quality.
- Financial Sector Entity Instruments. Finally, we believe that SIICs should be able to hold debt, and therefore invest in debt offered by other financial institutions in its liquidity buffer, particularly money market funds ("MMFs"). MMFs are critically important for the corporate treasurer community—they are significant purchasers of commercial paper offered by corporations of all sizes. Corporate treasurers use MMFs to manage their cash needs and realize modest returns. Limiting SIIC investment in MMFs will reduce MMF investment in corporate commercial paper, thus harming an essential tool for corporate treasurers. Coupled with new MMF regulations set to take effect in October, the strain on MMFs may ultimately damage American businesses and capital formation.¹²

Similarly, we believe that limitations on holding debt issued by other financial sector entities, like banks or foreign non-insurers, are inappropriate and do not present a liquidity risk substantial enough to exclude those instruments from the liquidity buffer. We would again draw the Federal Reserve's attention to the Proposal's requirements on diversification to support our argument that a broad range of financial instruments should be includible in a SIIC's liquidity buffer.

¹² See Vipal Monga, "Investors Pulling Money out of Prime Money Funds," WALL STREET JOURNAL (Jul. 28, 2016), available at <http://blogs.wsj.com/cfo/2016/07/28/investors-pulling-money-out-of-prime-money-funds/>.

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The Chamber also believes that any changes to the list of eligible assets for inclusion in the liquidity buffer must undergo a notice and comment process. As proposed, the Federal Reserve can change this list at any time, which could potentially lead to unnecessary market behavior that is not beneficial. By implementing appropriate due process for any necessary changes, SIICs and other market participants will have appropriate foresight allowing them to plan for changes and mitigate unnecessary market behavior, thus resulting in minimal impact, if any, to the capital markets.

In short, we believe that several changes to the liquidity buffer are fundamentally necessary, both in terms of tailoring such standards more appropriately to the business of insurance and because of the impact of the standards on the broader capital markets. If finalized as proposed, the liquidity buffer's list of eligible assets will most likely distort a SIIC's incentives to continue as a reliable investor in the corporate bond market and hurt the ability of many American companies to access capital and grow their businesses.

II. The Proposal Attempts to Supplant the Fiduciary Responsibilities of an Insurer's Board with the Judgment and Micromanagement of the Federal Reserve

Corporate governance in the United States is administered through a dual system. This encompasses organic and structural mandates, as required through the state incorporation laws which a corporation is organized under, as well as the legal requirements, normally disclosure based, as imposed under federal securities laws administered by the Securities and Exchange Commission ("SEC"). Within this legal framework, directors, management, and investors decide the governance structures best suited for the unique needs of a business. This tripartite arrangement creates different governance systems best suited for a company.

The Chamber is concerned that the Federal Reserve appears to supplant decades-long sound corporate governance practices adopted by the SEC and state legislators with its own views on how corporations should be governed. Along with a number of corporate governance requirements, the Proposal specifically mandates that a member of a SIIC's board of directors have risk management expertise and dictates the reporting relationships of the chief actuary and the chief risk officer.

Such prescriptive mandates may interfere with well-functioning corporate governance structures currently in place and increase potential harm to investor protection, particularly because inflexible and new internal reporting models may detract from, and not improve, internal corporate communication.

As insurers may have varying business lines resulting in different risk profiles, we believe that instead of imposing prescriptive, one size fits all mandates on SIICs, the Federal Reserve should allow a SIIC to put together a corporate governance plan that best addresses risk, based on the company's individual risk profile, including to whom and how risk is addressed at the board level. This plan should be reviewed and approved jointly by the Federal Reserve and the three voting and non-voting insurance members of FSOC.¹³

To the extent the Federal Reserve finalizes a rulemaking that mandates risk management expertise on the board, it should provide specificity on the qualifications and experience necessary to meet the requirements of a risk expert. Moreover, similar to what was included in the Sarbanes-Oxley Act as a safe harbor for the chair of a board's audit committee, the Federal Reserve should consider providing a safe harbor to the board member deemed to be the risk expert, and that the board collectively is responsible any decisions it takes with respect to risk management for the company.

III. The Proposal's Impact Assessment Underestimates Costs and Fails to Consider the Cumulative Impact of the Proposal and Other Regulatory Initiatives Placed on the Financial Institutions.

Along with our substantive concerns, the Chamber is concerned that the Proposal's impact assessment lacks specificity and is deficient in two regards. The first is the woeful underestimation of the costs associated with the implementation of the Proposal. The second is the failure to consider the cumulative impact of the Proposal on SIICs and the reverberations it will have on the broader economy, particularly on participants in the capital markets.

¹³ Voting and non-voting insurance members of the FSOC currently include Roy Woodall, Independent Member with Insurance Expertise, Michael McRaith, Director of the Federal Insurance Office, and Adam Hamm, Commissioner of the North Dakota Insurance Department.

Although the Federal Reserve's assessment attempts to balance the cost of the proposal with its benefits, the Proposal significantly understates the costs related to the full implementation. The term "modest" is used frequently throughout the impact assessment section to describe the Federal Reserve's anticipated new costs to an SIIC. Costs borne from implementing certain corporate governance requirements may be modest, but costs resulting from more frequent liquidity analysis, stress testing and cash flow projections as well as maintaining sufficient buffers are significant new changes for SIICs. As discussed previously, insurers have a sound infrastructure for analysis and projections in place that is appropriate for the long-term nature of their assets and liabilities; however, a move to more frequent risk sensitivity analysis and the implementation of a restrictive liquidity buffer would require a costly, significant change to infrastructure. For example, systems modifications to accommodate more frequent analysis and monitoring will be well beyond "modest" and take years for implementation. Therefore, we suggest that a more robust impact analysis be conducted that accounts for these significant changes.

In previous comment letters, particularly with respect to bank capital and liquidity requirements, we have also called for a comprehensive study of various regulatory initiatives as well as the cumulative impacts of those initiatives on the broader global economy and the capital formation system that is the linchpin for growth, a necessary component to financial stability. We believe that such studies are critical to understanding the impact of these proposals on capital formation and urge the Federal Reserve to conduct a similar, comprehensive analysis. The same concern also applies to the Proposal, which may have the real effect of sidelining the capital that would be reinvested in the economy but is instead redirected towards fulfilling the requirements of the Proposal.¹⁴

The Chamber believes that a combination of all of these initiatives could lead to an underperforming financial sector and create barriers to capital formation. The inability of businesses to be able to engage in normal capital formation activities, efficient cash management and effective risk management will raise costs and create inefficiencies, adversely impacting economic growth and financial stability.

¹⁴ For example, we believe that the Federal Reserve should examine the impact of liquidity requirements on other supervised institutions, such as the liquidity coverage ratio and the net stable funding ratio, alongside the liquidity buffer requirements of the Proposal and determine what the potential impact of those proposals would be on market liquidity and the functioning of the American capital markets.

Consequently, the Federal Reserve should conduct a comprehensive study analyzing the impact of the Proposal alongside other capital and liquidity reforms that impact capital formation for American businesses.

Moreover, we would like to take this opportunity to note that, although the Federal Reserve is an independent agency, it has also avowed that it will seek to abide by Executive Order 13563. The Federal Reserve recently stated that it “continues to believe that [its] regulatory efforts should be designed to minimize regulatory burden consistent with the effective implementation of [its] statutory responsibilities.”¹⁵ As recently as October 24, 2011, the Federal Reserve wrote a letter to the Government Accountability Office acknowledging the need to engage in a cost-benefit analysis and asserting that the Federal Reserve’s use of such an analysis, since 1979,¹⁶ has mirrored the provisions of regulatory reform as articulated in Executive Order 13563.¹⁷

The Chamber strongly recommends that the Federal Reserve establish a baseline for cost-benefit and economic analysis using the blueprint established by Executive Orders 13563 and 13579, in addition to other requirements they must follow.¹⁸ Doing so would allow meaningful, cumulative analysis that would result in a more coherent final rule with fewer harmful, unintended consequences for the American economy.

Executive Order 13563 places upon agencies the requirement, when promulgating rules to:

- 1) Propose or adopt a regulation only upon a reasoned determination that its benefits justify its costs (recognizing that some benefits and costs are difficult to justify);
- 2) Tailor regulations to impose the least burden on society, consistent with obtaining regulatory objectives, taking into account, among other things, and to the extent practicable, the costs of cumulative regulations;

¹⁵ November 8, 2011, letter from Chairman Ben Bernanke to OIRA Administrator Cass Sunstein.

¹⁶ Board of Governors of the Federal Reserve System, Statement of Policy Regarding Expanded Rulemaking procedures, 44 Fed. Reg. 3957 (1979)

¹⁷ See letter from Scott Alvarez, General Counsel of the Federal Reserve, to Nicole Clowers, Director of Financial Markets and Community Investment of the General Accountability Office.

¹⁸ Executive Order 13579 requests that independent agencies follow the requirements of Executive Order 13563.

- 3) Select, in choosing among alternative regulatory approaches, those approaches that maximize net benefits (including potential economic, environmental, public health and safety and other advantages; distributive impacts; and equity);
- 4) To the extent feasible, specify performance objectives, rather than specifying the behavior or manner of compliance that regulated entities must adopt; and
- 5) Identify and assess available alternatives to direct regulation, including providing economic incentives to encourage the desired behavior, such as user fees or marketable permits, or providing information upon which choices can be made to the public.¹⁹

Additionally, Executive Order 13563 states that “[i]n applying these principles, each agency is directed to use the best available techniques to quantify anticipated present and future benefits and costs as accurately as possible.”

Conducting the rulemaking and its economic analysis under this unifying set of principles will facilitate a better understanding of the rulemaking and its impact and give stakeholders a better opportunity to provide regulators with informed comments and information.

IV. Implementation Timeline Should be Extended to Reflect Reality

Under the Proposal, any company designated as a SIIC by the FSOC must comply with the requirements for enhanced prudential standards beginning on the first day of the fifth quarter following the date on which the Council determined that the company shall be supervised by the Federal Reserve. An equivalent phase-in period would apply following the adoption of a final rule for those insurers already deemed a SIIC. As this timeframe was proposed based on faulty assessments, the Chamber strongly urges the Federal Reserve to extend the compliance timeframe well

¹⁹ Executive Order 13563

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beyond that of the first day of the fifth quarter following the adoption of the rule or designation.

The Proposal's impact assessment indicates that the only modest changes are required for a SIIC to comply with the rule. As discussed earlier, this reasoning is deeply flawed, and significant changes to infrastructure, policies, and internal risk management will be required if the rule is finalized as proposed. As the Proposal requires massive changes to preexisting systems of existing SIICs, a minimum of three years will be needed to comply. For any new SIICs designated by FSOC, an even greater compliance period will be required as there has been less time to work with regulators and incrementally make modifications to the existing infrastructure. To be clear, insurers currently have adequate systems in place to accommodate their current risk assessments. However, the overlay of new massive requirements will require significant changes to infrastructure and systems. Accordingly, we request that the Federal Reserve extend the compliance period to the first day of the thirteenth quarter for existing SIICs and even more time for any new SIICs.

Conclusion

In conclusion, the Chamber wishes to reemphasize the importance of designing properly calibrated enhanced prudential standards for SIICs that are appropriate for the business of insurance and do not damage the capital markets. The Dodd-Frank Act requires the Federal Reserve to properly recognize the differences among bank holding companies and other nonbank financial companies designated as SIFIs by the FSOC. We believe that several of the requirements listed in the Proposal, particularly with respect to liquidity risk management, fail to make this distinction.

More importantly, businesses of all sizes use the corporate bond markets to raise capital. While not as liquid as equity markets, the bond markets provide a stable form of financing, benefiting businesses and investors alike. As insurers are significant investors in the bond markets, the implementation of poorly designed enhanced prudential standards could reduce the capital available for investment. We fear that, combined with the impact of other global financial regulatory initiatives, such as the leverage ratio and the liquidity coverage ratio applicable to G-SIFIs, as well as forthcoming standards on insurance capital for SIICs and other insurers supervised by the Federal Reserve, the enhanced prudential standards will have a

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significant impact on the ability of many businesses to engage in normal capital formation activities, efficient cash management, and effective risk management.

Thank you again for the opportunity to comment upon the Proposal. We would be happy to discuss these issues and concerns in greater detail at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to be 'TK' followed by a long, sweeping horizontal line that curves upwards at the end.

Thomas Quaadman